THE CAMEROONIAN BANKING AND FINANCIAL SECTOR

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PLAN OF WORK

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The Financial and banking sector reforms initiated in the country as part of economic reforms since the 90s with the restructuring of state-owned banks, has brought about substantial changes in the structure of banking, microfinance and financial markets environments.

While deregulation opened up new opportunities particularly for banks and Microfinance institutions, liberalization intensified competition in the banking industry by opening the markets to new foreign and private sector banks, though the level is yet to be qualified as satisfactory.

Thus the financial system has not yet succeeded to thrust the economy unto the part of sustainable growth.
SOME FACTS:

General facts

• Cameroon is, alongside with Congo, Gabon, the Central African Republic, Chad and Equatorial Guinea a member state of the Central African Economic and Monetary Community (CEMAC) and the Bank of Central African States (BEAC).

• Cameroon’s flag
INRODUCTION
Introduction

- Independence: 1st January 1960
- Population: 19 millions;
- Area: 475,442 Km²
- Urban population 57.6% (2009)
- GDP growth: 1.9% (2009), 3.8% is projected in 2011
- Inflation: 3% in 2009, projected at 2% in 2011
- Main export products: crude oil and petroleum, timber, cocoa, coffee, cotton, banana, palm oil;
- Currency: CFA Francs is pegged to the Euro: 655,957 CFA Francs
The monetary policy of BEAC which is centered on monetary stability and bank liquidity management, has greatly influenced Cameroon’s economic and financial policy.

The cameroonian financial landscape is comprised of:

- 13 commercial Banks (10 are owned by non nationals)
- 5 financial institutions (deposits taking institutions)
- 4 specialised financial institutions (state-owned institutions FEICOM, SNI, CFC, FNE)
INRODUCTION

- 28 insurance companies
- 01 National Insurance Fund
- 500 microfinance institutions (first, second and third categories of MFI),
- 01 stock market (Douala Stock Exchange)
- informal financial players or informal finance (tontines, djangui);
- the central securities depository is the National Autonomous Sinking Fund (CAA)
• Total deposits (2010) 1 339 430 Million CFA Francs;

• Non performing loans represented 14% of the loans that were granted by banks, and 91% of these loans were provisioned;

• 2.9% of the loans were long term loans, and more than 80% of these was granted by a commercial bank owned by nationals;

• As for the structure of the capital of commercial banks: Non nationals (65%), nationals (29%) and the State (6%);

• Structure of the capital of MFI, more than 80% belongs to nationals.
INRODUCTION

- The lending rate for banks between 16% and 19%
- the lending rate for MFI between 19% and 30%
- 70% of banks complied with the risk coverage ratio which legal standard is 8% of the loans they granted
LEGAL, REGULATORY AND INSTITUTIONAL SET UP

- Regional, Sub-Regional and National regulations
- Supervisory and regulatory authorities
REGIONAL, SUB-REGIONAL AND NATIONAL REGULATIONS

- The OHADA (the Organisation for the Harmonisation of business law in Africa) Uniform Acts notably on securities, procedure on insolvency and liquidation, arbitration, commercial companies and economic interest group;

- The inter-African conference of insurance market code that determines the modalities and procedures for licensing, functioning and liquidation of insurance companies

- The treaties putting in place the Economic and Monetary Community of Central Africa (CEMAC) and the Bank of central african States (BEAC);
Regional, Sub-Regional and National regulations

- The treaties putting in place the Economic and Monetary Community of Central Africa (CEMAC) and the Bank of central african States (BEAC);

- the convention of 12 October 1990 creating the banking commission of central Africa (COBAC) which is the regional supervisory authority for banks, financial institutions, specialised financial institutions and MFI;

- The decisions taken by the president of the republic and the ministry of finance on the functioning of the national credit Council, banking conditions, minimum guarantied free services to be rendered by banks to their customers, licensing of these institutions including microfinance institutions (MFI);
Supervisory and regulatory authorities

- The laws and regulations taken in the domain of financial market (creation, functioning...etc)

- It is worth noting that Cameroon did not opt for an integrated and combining supervisory mechanism in charge of banks, insurance companies, financial market operations, MFI;

- Thus we have specialised structures for each category;
Supervisory and regulatory authorities

- BEAC (Direct the monetary policy and insures financial stability);
- The Minister of Finance
  - controls banking activities notably concerning terms and banking services;
  - receives applications for licensing of banks, MFI, their general managers and external auditors and passes same to COBAC for approval or rejection.
Supervisory and regulatory authorities

- COBAC (emanates from BEAC though independent, its president is the governor of the central bank (BEAC))
- Regulatory power: defines prudential norms of banks and MFI
- Power of control: ensures their application; Administrative power: can put financial institutions under provisional administration or appoint a liquidator
- Power to sanction: vested with the powers to sanctions defaulters (penalties, suspension, withdrawal of licences..etc)
- Give its approval or rejection in issues like licensing of banks, MFI, and their General managers, determination by the minister of finance of banking conditions;
Supervisory and regulatory authorities

- The Regional commission of insurance control and the national brigade of insurance; surveillance of the sector

- CMF (the Financial Market Commission)
Supervisory and regulatory authorities

- **CNC (National Credit Council)**
  consultative organ on issues like the protection of the consumer or the opening of branches and counters by banks and MFI;

- **ANIF (National financial investigation Agency)**:
  intervene in the prevention and the sanctioning of those who do not comply with the regulation against money laundering.
the role played by professional bodies like the national associations of banks and financial institutions (APECAM), of MFI(ANEMCAM), of investment services providers, of insurance providers;
PROBLEMS OR WEAKNESSES AND RESPONSES

- Low level of financial inclusion
- Deficit in the financing of the economy by banks, MFI
- Deficit in corporate governance
- Lack of financial culture
- Narrowsness and desintegration of the financial market in central Africa
- The place of informal finance
Low level of financial inclusion

- According to the statistics of 2008, we had 1 branch for 135 000 personnes and few automatic teller machine and electronic wallets
- Reasons given
  - The extension policy of banks was poor
  - The non diversification of financial products
  - The role played by the informal financial system (tontines, djangui)
  - System of agreement among certain banks
Whereas there is excess liquidity

- The portion reserves for loans in the portfolio of banks is very insignificant

- In 2009, only 41% of the assets were allocated to loans, and long term loans represented only 2.5%;

- The ratio of coverage of loans by deposits was very high 145% at the end of June 2009 above the required level 70%;
deficit in the financing of the economy

- Banks finance only importante or big enterprises, small-size enterprises are left out;
- Non bankable projects which play a significant role in the economy;
- Nature of the deposits, more than 75% are short term deposits, thus it is difficult for banks to borrow short and lend long;
- Absense or inconsistancy of collaterals or securities;
The risk of repaying the loan is very high (less glorious past);

- Relative reliability of financial statements presented;

- Lack of managerial ability on the part of the promoters and the approximate nature of internal organisation;

- Slowness of the judicial system in the recovery by banks and MFI of the guarantee;
deficit in the financing of the economy

- The high rate of non performing loans in MFI;
  As response:
  - creation by the state of a financing fund reserved for SME and an agro-pastoral and development bank;
  - the putting into place of a balance sheet database and a software to follow up the activities of MFI (SESAME)
  - The state’s new economy financing policy (The state issued bonds for 200 billion CFA francs)

- Creation of a trade tribunal
Some banks and MFI in Cameroon are experiencing the provisional administration and liquidation due to bad management;

- The ratio of loans to be granted to the managers, shareholders is not respected mostly in MFI;

- The internal control is not effective, mostly MFI;
Deficit in corporate governance

- The presence of non professionals in MFI;

- Many MFI do not comply with the risk division ratio;

- The government is streamlining the microfinance sector (administrative controls);

- Training programmes for MFI and the services of the Ministry of Finance organised in partnership with the UNDP.
the place of informal finance

- Hoarding
- Very high lending rate
- Fertile ground for money laundering
the place of informal finance

as a response,

- creation of MFI of first category, with cooperative form;

- A draft of the consumer protection law tabled at the parliament which has a component dedicated to financial literacy

- Financial literacy programmes
Narrowness and desintegration of the financial market in central Africa

On the equity market, just 3 listed companies for a stock market (DSX) which became operational in 2003, with a capitalisation of about 100 billion CFA francs;

On the bond market, just operations were registered with the issuing of state bonds (200 millions CFA francs), the international Financial cooperation and the Development Bank of Central African States in 2010;
Absence of risk capital schemes

The regulator is not self-financing; the state spends a lot of money to finance the regulator (financial market)

Coexistence of two stock markets and two regulators in CEMAC
Opportunities possibilities or areas of reform

- Give the possibility to MFI to refinance themselves at the central banks;

- Authorise MFI to carry out money transfer operations beyond the CEMAC without passing necessary through a bank given that the transfer of money is taking an important place in their activities;
Opportunities / possibilities / areas of reforms

- How to better finance the electricity sector and decentralisation through the stock market?

- Have an integrated and self-financing market;

- There is a huge investment potential in hotel and tourism industry, transport, agricultural, manufacturing, pharmaceutical and mining sectors;

- Cameroon is an island of peace

- Cameroonians are very dynamic
We have to go from potentialities to opportunities. With the State’s new funding policy and the various regulations and measures taken, there is a reason to hope put in place
THANK YOU FOR YOUR KIND ATTENTION